

Message Text

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51

ACTION NEA-16

INFO OCT-01 IO-14 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20

STR-08 CEA-02 TAR-02 L-03 H-03 PA-04 PRS-01 USIA-15

AGR-20 INT-08 FEA-02 DRC-01 (ISO) W

----- 031923

R 241115Z MAY 74

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 2511

USMISSION GENEVA

UNCLAS TEL AVIV 2817

E.O.11652: N/A

TAGS: ETRD, IS

SUBJECT: ISRAEL IMPOSES IMPORT DEPOSIT REQUIREMENT

1. AS FROM MAY 24, GOVERNMENT OF ISRAEL HAS REIMPOSED REQUIREMENT FOR COMPULSORY IMPORT DEPOSIT OF 20 PERCENT. IMPORT DEPOSIT REQUIREMENT HAD BEEN IN EFFECT SINCE 1970 UNTIL ABOLISHED INFORMALLY ON NOVEMBER 27, 1973, AND FORMALLY IN JANUARY 1974.

2. IMPORTERS WILL NOW BE OBLIGED TO DEPOSIT WITH GOI 20 PERCENT OF VALUE C.I.F. (EXCLUDING CUSTOMS DUTIES AND DEFENSE LEVY) OF IMPORTED GOODS (WITH CERTAIN EXCEPTIONS) FOR PERIOD OF TWELVE MONTHS FROM TIME OF CUSTOMS CLEARANCE. DEPOSITS WILL DRAW NO INTEREST AND WILL NOT BE LINKED TO CONSUMER PRICE INDEX. (SINCE INFLATION IS RUNNING AT 40 PERCENT ANNUAL RATE, THIS IS HEAVY PENALTY) AFTER ONE YEAR DEPOSITS WILL BE REPAYED.

3. FOLLOWING CATEGORIES OF IMPORTS WILL BE EXEMPT FROM THIS REQUIREMENT: (A) FOOD AND FOOD PRODUCTS, (B) PETROLEUM, (C) IMPORTS FOR REEXPORT, (D) PERSONAL AND HOUSEHOLD EFFECTS, (E) SHIPMENTS VALUED AT LESS THAN IL 5,000 (\$1,900 AT PRESENT OFFICIAL RATE OF EXCHANGE)

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(F) IMPORTS WHICH ARE DUTY-FREE OR PAY DUTY OF LESS THAN 10

PERCENT.

4. DECISION, WHICH WAS TAKEN BY MINISTERIAL ECONOMIC COMMITTEE AND ANNOUNCED BY DIRECTOR GENERAL OF MINISTRY OF FINANCE, IS INTENDED TO ABSORB EXCESS LIQUIDITY IN ECONOMY AND CURB IMPORTS. GOI EXPECTS THIS MOVE WILL IMMOBILIZE ABOUT IL 900 MILLION (\$214 MILLION) PER YEAR.

5. COMMENT: NEW IMPORT DEPOSIT REQUIREMENT WILL HAVE SOME EFFECT IN REDUCING CERTAIN CLASSES OF IMPORTS, ESPECIALLY THOSE REPRESENTING INFLATION-INDUCED FLIGHT INTO IMPORTED GOODS. IMPORTS HAVE SOARED BEYOND EARLIER FORECAST STIMULATED BY FASTER THAN ANTICIPATED INFLATION AND EXPECTATIONS OF DEVALUATION. IN OUR VIEW, THIS IS FIRST OF SERIES OF MEASURES WHICH WILL HAVE TO BE TAKEN IF INFLATION IS TO BE CURBED. KEATING

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